

STATE OF WASHINGTON



OF OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	
)	ORDER No. D03-215
AMERICAN BANKERS)	
INSURANCE COMPANY OF)	CONSENT ORDER
FLORIDA,)	IMPOSING A FINE
An Authorized Insurer)	AND CORRECTIVE
)	ACTION PLAN
)	

FINDINGS OF FACT:

1. American Bankers Insurance Company of Florida ("American Bankers") holds a certificate of authority issued by the Insurance Commissioner of the State of Washington.
2. Beginning in May 1989 and unbeknownst to American Bankers, National Warranty Corporation, an insured under a service contract issued by American Bankers, issued motor vehicle service contracts to 21,481 Washington residents, on a form ("the form") which had not been filed with the Office of the Insurance Commissioner ("the OIC"). Beginning in November 1999, 1,088 of those forms were issued with an endorsement ("The Endorsement") which had not been filed with the OIC.
3. On May 10, 2001, the OIC learned that National Warranty Corporation was selling contracts using forms which had not been filed with the OIC, some of which contained an endorsement which had not been filed with the OIC.
4. After the OIC contacted American Bankers about this situation in May 2001, American Bankers filed the contract form with the OIC on June 8, 2001, and the endorsement with the OIC on June 11, 2001. Both forms were approved, to the extent required by law, with an effective date of May 15, 2001.

CONCLUSION OF LAW:

1. American Bankers' failure to file the form and the endorsement within 30 days of their use by National Warranty violated RCW 48.96.025.

CONSENT TO ORDER:

1. American Bankers acknowledges its obligation to comply fully with all applicable laws and regulations of the State of Washington. The Insurance Commissioner has offered a settlement in lieu of suspending or revoking the certificate of authority held by American Bankers in the state of Washington.

2. By agreement of the parties, the Commissioner will impose a fine of \$150,000 on American Bankers, with the sum of \$100,000 suspended for two years from the date of entry of this order, upon condition that:

(a) American Bankers pay the unsuspended \$50,000 of the fine within 30 days from the date of entry of this order; and that

(b) American Bankers commit no further violations of RCW 48.96.025 for a period of two years from the date of entry of this order. The OIC will not impose the \$100,000 suspended portion of the fine nor proceed against the certificate of authority held by American Bankers if during the two-year suspense period it commits isolated, de minimis violations of RCW 48.96.025, as determined by the OIC; and that

(c) American Bankers implement and fulfill all the terms of the Corrective Action Plan attached hereto as Exhibit A and incorporated herein by reference.

3. If American Bankers fulfills all the above conditions, then at the end of the two-year suspense period, the Insurance Commissioner will waive the suspended \$100,000 of the fine.

4. In the event that American Bankers fails to pay the unsuspended \$50,000 within 30 days of the entry of this order, or fails to fulfill one or more provisions of the Corrective Action Plan attached hereto as Exhibit A; or in the event that one or more of American Bankers' property-casualty insurer affiliates American Security Insurance Company, American Reliable Insurance Company or Standard Guaranty Insurance Company commits additional violations of RCW 48.96.025 during the two-year suspense period, then the suspended \$100,000 will be immediately due and payable upon the order of the Commissioner, together with such other and further fines and sanctions which the Commissioner may levy for such additional violations.

5. Also in the event that American Bankers fails to timely pay in full the unsuspended \$50,000 of the fine, the Attorney General of the State of Washington will bring a civil action on behalf of the Insurance Commissioner, for the entire amount of the fine.

EXECUTED and AGREED this _____ day of _____, 2004

AMERICAN BANKERS INSURANCE COMPANY of FLORIDA

Authorized officer's signature _____

Authorized officer's printed name _____

Authorized officer's printed corporate title _____

ORDER:

1. Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of One Hundred Fifty Thousand Dollars (\$150,000) upon American Bankers. Of this amount, One Hundred Thousand Dollars (\$100,000) will be suspended for two years from the date of entry of this order, upon the conditions set forth in the foregoing "Consent" portion of this order, which are incorporated herein by reference.

2. The unsuspended Fifty Thousand Dollars (\$50,000) of the fine shall be paid within 30 days of the entry of this order. If American Bankers fails to pay that amount timely and in full, and/or fails to fulfill all the conditions set forth in the "Consent" portion of this order, then the suspended \$100,000 of the fine will be immediately due and payable, together with such other and further fines and/or sanctions which may be levied for any additional violation or violations of RCW 48.96.025 by American Bankers or by any of its property-casualty affiliates; American Security Insurance Company, American Reliable Insurance Company and/or Standard Guarantee insurance Company, during the two-year suspense period.

3. If American Bankers fails to pay the unsuspended \$50,000 within 30 days of the date of entry of this order, the Attorney General of the State of Washington will bring a civil action on behalf of the Insurance Commissioner.

4. If American Bankers pays the unsuspended amount of \$50,000 within thirty days of the entry of this order, and if it complies with all the conditions listed in the foregoing

Consent Order Imposing a Fine
and Corrective Action Plan
Page 4 of 6

“Consent” portion of this order, then at the end of the two-year suspense period, the Commissioner will waive the suspended \$100,000 of the fine.

Entered at Tumwater, Washington, this _____ day of _____, 2004.

MIKE KREIDLER
Insurance Commissioner

by _____

William Kirby
Staff Attorney
Legal Affairs Division

EXHIBIT A
Corrective Action Plan

1. The Company:

This plan includes business done on behalf of or in cooperation with American Bankers by clients and third party administrators or insureds such as National Warranty Corporation.

2. Client Audit

(a) Information to the Office of the Insurance Commissioner:

Within thirty (30) days of the date of entry of the Consent Order to which this plan is attached, American Bankers will send to the Legal Affairs Division of the OIC for its approval, a written audit plan providing for a minimum of one audit of all vehicle service contract clients and/or insureds of American Bankers doing business in the State of Washington. The first audit shall be designed to determine compliance with RCW 48.96.025, and shall be completed no later than six (6) months after the date of entry of the Consent Order to which this plan is attached.

(b) A second audit shall be performed if the first audit finds any noncompliance with RCW 48.96.025. Any second audit shall cover any clients and/or insured(s) found by the first audit to be noncompliant and it shall be commenced six (6) months after the first audit is completed. This second audit shall cover all vehicle service contracts insured by American Bankers doing business in the State of Washington.

(c) The audit work shall be fully documented and all audit documents shall be kept on file by American Bankers for a period of two years after completion of the Audit. The reports will be issued no later than thirty (30) days after the completion of the audit in question.

(d) Audit Obligation: American Bankers will provide its client audit unit or division(s) with copies of this Corrective Action Plan and shall direct its client audit personnel to review the areas of deficiency that resulted in the violation of RCW 48.96.025 which resulted in the consent order.

3. Administrative Guidelines: Assurant Group, the owner of American Bankers, will annually mail to its clients and third party administrators copies of Assurant Group's internal Compliance Administrative Guidelines and will provide a copy to the Legal Affairs Division of the Office of the Insurance Commissioner upon request. American Bankers will maintain evidence of the distribution of the Administrative Guidelines were provided, and to whom.

4. Property and Casualty Form Filing Checklist: American Bankers will adopt and use the Property and Casualty Form Filing Checklist as recommended by Terence Nordahl, Property and Casualty Manager of the Rates and Forms Division of the OIC, for the types of filings covered by the Checklist. This checklist will be in use as of the effective date of this plan. American Bankers will thereafter use this checklist for every Washington property and/or casualty filing it makes.
5. Service Contract Form Filing Checklist: In addition to the Property and Casualty Form Filing Checklist, American Bankers will, as of the effective date of this plan, develop and begin using a second checklist specifically dealing with vehicle service contract and reimbursement policy filings. This checklist will be used to improve the rate of approvals of first time filings with the OIC.
6. Internal Rate of Return Filing Reference: American Bankers obtained approval for its Internal Rate of Return (I.R.R.). No later than the effective date of this Corrective Action Plan, American Bankers will refer to that approval in its property and casualty rate filings, if this is required by the OIC.
7. Correction of Exceptions or Deficiencies: Any exception or deficiency identified by the audits described in this Corrective Action Plan will be corrected as soon as practicable.